GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3180
ANSWERED ON:12.05.2006
RATE OF INTEREST ON LIC POLICIES
Singh Shri Chandrabhan Bhaiya

Will the Minister of FINANCE be pleased to state:

(a) whether the rate of interest on car-loan is 6-7 percent while interest rate on loan on one`s LIC policies is 9-10 percent;

(b) if so, the reasons for this disparity in the interest rates;

(c) whether the Government proposes to take say measure to reduce the rate of interest on loan on LIC policies;

(d) if so, the details thereof; and

(e) if not, the details of future plans of the Government in this regards?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): The Life Insurance Corporation of India (LIC) lias reported that it provides car loans only to its officers at 5% for loan, upto Rs. 1 lakh and 9% for loan beyond Rs. 1 lakh. The rate of interest on loan against insurance policies is 9% per annum payable half yearly.

(b): The car loan at concessional interest rate to LIC officers is given as a part of Employees Benefit Scheme. On the other hand loan against policies, involves additional operational costs which raises the interest charged.

(c): As reported by LIC, there is no proposal as of now to reduce the rate of interest on loan on LIC policies.

(d) & (e): Do not arise.